

DSE I: MDF 604: INVESTMENT BANKING AND FINANCIAL SERVICES

Course Objectives:

The objective of this paper is to know the different aspects of Investment banking and financial services such as Issue Management, Leasing, Hire Purchase, Factoring and Forfaiting, Insurance, Credit Rating, Securitization and Venture Capital Financing, Mergers and acquisition and the detailed SEBI guidelines on issue management.

Learning Outcomes:

- Understand the importance and relevance of Investment Bankers in any Financial System.
- Understand the entire process of raising funds from primary markets along with the concerned regulations applicable in India.
- Understand the various financial services available in financial markets particularly in India along with the latest innovations and technological integration in the field of finance.

Course Contents:

Unit 1

(2 Weeks)

Introduction: An Overview of Indian Financial System, Investment Banking in India, Recent Developments and Challenges ahead, Institutional structure and Functions of Investment / Merchant Banking; SEBI guidelines for Merchant Bankers, Registration, obligations and responsibilities of Lead Managers, Regulations regarding Continuance of association of lead manager with an issue

References:

Khan M.Y. Financial Services, 7th edition (Chapter 13)

Website of SEBI and RBI

Unit II

(3 Weeks)

Issue Management: Public Issue: classification of companies, eligibility, issue pricing, promoter's contribution, minimum public offer, prospectus, allotment, preferential allotment, private placement, Book Building process, designing and pricing, Green Shoe Option; Right Issue: promoter's contribution, minimum subscription, advertisements, contents of offer document, Bought out Deals, Post issue work & obligations, Investor protection, Broker, sub broker and underwriters.

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References:

Khan M.Y. Financial Services, 7th edition (Chapter 14)

Machiraju, H. R. (2019) Indian financial system New Delhi, S.Chand Publishing House, 5th edition (Chapter 12,13 and 14)

Website of SEBI and RBI

Unit III

(3 Weeks)

Leasing and Hire Purchase :Concepts of leasing, types of leasing – financial & operating lease, direct lease and sales & lease back, advantages and limitations of leasing, Lease rental determination; Finance lease evaluation problems Lessee's angle (NPV (L). PV and IRR methods) and Lessor's perspective, Hire Purchase interest & Instalment, difference between Hire Purchase & Leasing, Choice criteria between Leasing and Hire Purchase, mathematics of HP, Factoring, Forfeiting and its arrangement, Housing Finance : Meaning and rise of housing finance in India, floating vs. fixed rate.

References:

Khan M.Y. Financial Services, 7th edition (Chapter 4,5,6 and 8)

Website of SEBI and RBI and other related web courses

Unit IV

(4 Weeks)

Venture Capital: Concept, history and evolution of VC, the venture investment process, various steps in venture financing, incubation financing. Insurance: concept, classification, principles of insurance, IRDA and different regulatory norms, operation of General Insurance, Health Insurance, Life Insurance. Credit Ratings: Introduction, types of credit rating, advantages and disadvantages of credit ratings, Credit rating agencies and their methodology, International credit rating practices. Securitization: Concept and Process, Credit Enhancement parties to a Securitization Transaction, Instruments of Securitization, Types of Securities, Securitization in India.

Mergers and Acquisitions – Introduction of mergers and acquisitions, benefits of mergers, the procedure and theories of mergers, acquisitions and takeovers in India and anti-takeover strategies.

References:

Khan M.Y. Financial Services, 7th edition (Chapter 8,9,10 and 17)

Website of SEBI and RBI

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Text Books:

1. Khan, M. Y. (2013). Financial services. New Delhi: McGraw Hill Education.
2. Machiraju, H. R. (2002). Indian financial system. New Delhi, Vikas Publication House

Additional Readings:

1. Verma, J. C. (1996). Bharats manual of merchant banking: Concept, practices and procedures with SEBI clarifications, guidelines, rules and regulations. New Delhi: Bharat Law House.
2. K.Sriram: Hand Book of Leasing, Hire Purchase & Factoring, ICFAI, Hyderabad.
3. Ennew.C.Trevor Watkins & Mike Wright: Marketing of Financial Services, Heinemann Professional

Teaching Learning Process:

Lecture, discussion, PowerPoint presentations, demonstration of live trading.

Course contents may be discussed in the light of latest SEBI regulations and RBI guidelines.

Website of SEBI, RBI, BSE and NSE must be referred to for any amendment in the guidelines.

Assessment Methods:

Internal Assessment: 25 marks

Written Theory Exam: 75 marks

Keywords:

SEBI guidelines, Public Issue, Private Placement, Book Building, Leasing, Hire Purchase, Factoring, IRDA, Credit Ratings, Securitization, Mergers and Acquisitions.